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WHEAT INCOME AND CROP INSURANCE

A conversation between John A. Bird, Federal Crop Insurance Corporation, and Wallace Kadderly, Radio Service, broadcast Friday, July 28, 1939, in the Department of Agriculture period, National Farm and Home Hour, and broadcast over the NBC Blue Network.

KADDERLY:

John Bird is with us again today. You recall that John brings you news of the wheat crop insurance program from time to time. This time he has some information on wheat income and crop insurance. All right, John, let's have the details.

BIRD:

Very well, Wallace. These details are taken from a very enlightening study of wheat income made by the Kansas state Triple A committee. The committee went back over a 20-year period and found that although farmers planted wheat every year, they got most of their wheat income from only 10 of those 20 crop years.

KADDERLY:

In some years they had a lot of money from their crops and in others -- none at all?

BIRD:

Yes. Why, in one bumper crop year, farmers in this county received 1/4 of all the cash they got from wheat over the entire 20 years.

KADDERLY:

It would be hard to plan ahead under those conditions.

BIRD:

More than that. In this case, that one super good year caused a boom in land prices. Farmers who bought land in the several years following found it had cost them so much that it was not possible to make the land pay out. It caused the growers to contract debts that were larger than their ordinary incomes would carry. In other words, it would have been much better had this same income been spread evenly over the 20 years instead of coming in several big lumps.

KADDERLY:

And your point, of course, is that wheat crop insurance will make it possible for growers to spread their income uniformly over the good years and the bad.

BIRD:

That's one of the points made by this study. Another point is that had crop insurance been in effect for this 20-year period, it would have increased growers incomes.

KADDERLY:

Increased their incomes! Why, I thought that in the long run growers paid in to the insurance program just about the same amount they would get back to cover losses.

BIRD:

In bushels of wheat, yes. But, here's a point to consider: On the average, growers will get their wheat back in years of short crops when wheat usually is worth

more per bushel. And that may increase their dollar incomes. This has been worked out for a typical 300-acre farm in this county. Out of the 20 years, this farm had 10 fairly good or bumper crops, but in between the good yields there were some poor crops and some complete failures. However, these 10 years in which the crop was worth harvesting produced a total income of more than \$45,000.

KADDERLY:

And that income came in big lumps with long, lean stretches in between.

BIRD:

Yes. Now, say this farmer had been able to insure his wheat crop for that 20 years. Instead of getting his income from a few big crops, he would have had wheat to sell every year. He would have collected insurance in the 10 years that his crop fell below 75 per cent of his average. Now, his total production for the 20 years, counting in the insurance he collected, would have been about the same. But in most of the short crop years his wheat was worth more per bushel. It figured out that his total wheat income for the 20 years would have been nearly \$59,000.

KADDERLY:

But, John he had to pay for that insurance. Did you count that in?

BIRD:

I was coming to that. His premiums would have cost him \$9,000 for the 20 years. Subtracting this from the total income would leave him about \$50,000, and that's \$4,400 more than he actually received. In other words, his income would have been increased a little more than \$200 a year because he would have had wheat to sell every year.

KADDERLY:

Thank you, John Bird, for this slant on the wheat crop insurance program. And now, farm and home friends, before we leave this subject, let me drop in a reminder for wheat growers. Applications for insurance on the 1940 crop are now being taken in county Triple-A offices. If you want to insure your 1940 wheat harvest keep in mind that your application must be on file before you plant your crop.